

IRS News Release

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IRS Settlement Deadline Approaches

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WASHINGTON — Internal Revenue Service officials today reminded taxpayers that they have until Jan. 23, 2006 to file an election to take part in the global settlement program. There will be no deadline extension.

“This is a last-chance opportunity for taxpayers to put these deals behind them,” said IRS Commissioner Mark W. Everson. “A recent tax law change involving interest calculation gives taxpayers an even bigger incentive to come forward.”

The settlement program covers 21 transactions consisting of both listed and non-listed transactions. With the exception of applicable penalties, which vary depending on the level of abusiveness, the settlement terms are identical for all 21 transactions. Details on the covered transactions as well as the settlement terms can be found in Announcement 2005-80 and FS-2005-17.

This settlement initiative allows taxpayers the opportunity to quickly and efficiently close out a wide range of abusive transactions. Those taxpayers, who may be tempted to bypass the settlement program, should weigh their options carefully.

“Appeals will carefully consider both the issue merits and the penalty,” said Dave Robison, Chief of Appeals. “But, taxpayers should not expect to receive a better offer in Appeals than the initiative terms and they may, in fact, see a less favorable outcome.”

The recently passed provision in the Gulf Opportunity Zone Act of 2005 modified the rules for calculating interest on tax deficiencies of individual taxpayers. Congress changed the law to assess interest continuously on additional taxes involving abusive tax shelter transactions starting with the filing of the tax return up to the time the taxes are settled and paid. Before the Act, interest was generally suspended for the period beginning 18 months after the filing of the tax return until Oct. 3, 2004.

The new law, however, carves out from this added interest charge any transaction that taxpayers choose to close out as a part of the global settlement initiative. This incentive is a onetime exception and will be available only for those that come forward with their election by Jan. 23, 2006 and subsequently resolve the issue by a closing agreement with the IRS. Taxpayers who bypass the settlement initiative and go to Appeals will not qualify for this exception but will incur the full interest charge on their tax deficiencies.